

Message Text

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PAGE 01 LUXEMB 00707 052144Z

13

ACTION EUR-25

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 /143 W

----- 028082

R 051530Z OCT 73

FM AMEMBASSY LUXEMBOURG

TO SECSTATE WASHDC 3594

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS UNN

AMEMBASSY THE HAGUE

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E.O. 11652 N/A

TAGS: EFIN

SUBJ: PRIME MINISTER COMMENTS ON IMF MEETING

1. ON OCTOBER 4, PRIME MINISTER WERNER, WHO ATTENDED THE RECENT IMF MEETING IN NAIROBI IN HIS CAPACITY AS FINANCE MINISTER, TOLD US THAT HE BELIEVED THAT PROGRESS HAD BEEN MADE IN NAIROBI ON INTERNATIONAL MONETARY REFORM. WERNER LISTED THE PRINCIPAL ACHIEVEMENTS OF THE MEETING AS : 1) AGREEMENT ON GOLD, 2) SETTING A TIMETABLE FOR THE REFORM, AND 3) THE DRAFTING OF A REALISTIC WORKING PAPER OUTLINING THE NEW SYSTEM. WERNER SAID, HOWEVER, THAT HE BELIEVED THE PLACE OF GOLD WOULD STILL BE THE WEAK LINK IN THE NEW SYSTEM, AND HE FEARS THAT A RUN ON
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GOLD MAY RESULT IF THE CENTRAL BANKS START BUYING AND

SELLING IT FREELY AT OPEN MARKET PRICES.

2. REGARDING THE DOLLAR, WERNER SAID THAT ITS PRESENT VALUE WAS "ABOUT RIGHT". HE FEARS, HOWEVER, THAT IF THE VALUE OF THE DOLLAR APPRECIATES CONSIDERABLY IN THE NEXT MONTHS, THERE MAY BE SOME SENTIMENT AMONG CENTRAL AND PRIVATE BANKERS TO RETURN TO SOME SORT OF "DOLLAR STANDARD". WERNER COMMENTED THAT BOTH THE EC AND THE US SHOULD, OF COURSE, RESIST ANY RESURRECTION, ALBEIT TEMPORARY, OF THE "DOLLAR STANDARD" SINCE IT IS IN OUR LONG TERM MUTUAL INTEREST TO CREATE A NEW INTERNATIONAL MONETARY SYSTEM. FARKAS

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Disposition Reason:
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30 JUN 2005

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